

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6561**

**BILL NUMBER:** HB 1071

**NOTE PREPARED:** Dec 24, 2012

**BILL AMENDED:**

**SUBJECT:** Municipal Food and Beverage Tax.

**FIRST AUTHOR:** Rep. Baird

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill authorizes a municipal legislative body to impose by ordinance a municipal Food and Beverage Tax. The bill provides that the tax may not exceed 1% of the gross retail income received from retail food and beverage transactions. It also provides that the tax does not apply to a transaction that is exempt from the Sales Tax. It provides that the tax does not apply to a consolidated city, a municipality that has imposed a Food and Beverage Tax under current law, or a municipality entitled to receive county Food and Beverage Tax revenue.

**Effective Date:** July 1, 2012.

**Explanation of State Expenditures:** *Department of State Revenue (DOR)* - This bill would increase the DOR's administrative costs by requiring the DOR to collect and process municipal Food and Beverage Tax receipts. The municipal Food and Beverage Taxes would be collected and remitted in the same manner as the Sales Tax. DOR currently processes Food and Beverage Taxes for counties and municipalities that have adopted the tax under other provisions. Depending on the number of municipalities that adopt a Food and Beverage Tax, the bill's requirements should be within the DOR's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The bill gives legislative bodies of municipalities the option to adopt an ordinance for a Food and Beverage Tax. However, the tax authorized by the bill may not be imposed by a

consolidated city, a municipality imposing a Food and Beverage Tax under another statute, or a municipality entitled to receive county Food and Beverage Tax under another statute. If a municipality adopts such an ordinance, the municipality's fiscal officer would be required to establish a Food and Beverage Tax Revenue Fund. The money in this fund may be used for the following purposes:

- (1) Reduction of municipal property tax levies in an ensuing budget year.
- (2) Property tax relief.
- (3) Replacement of revenue lost as a result of homestead credits paid under IC 6-1.1-20.6.
- (4) Payment of debt service and lease rentals.
- (5) Payment of costs of a capital project.
- (6) Operating revenue.

**Explanation of Local Revenues:** *Summary* - The total amount of revenue collected by cities and towns will depend on how many adopt the Food and Beverage Tax authorized under the bill and the rate at which each tax is imposed. Municipal Food and Beverage Taxes can be levied at a 0.25%, 0.5%, 0.75%, or 1% rate. This bill would make up to 114 cities and 443 towns eligible to adopt a Food and Beverage Tax. [Individual estimates for cities and towns are available upon request.]

**Background Information** - Currently 12 municipalities levy a 1% Food and Beverage Tax. These taxes generated approximately \$6.7 M in revenue during FY 2011 and \$7.3 M in FY 2012. The table below shows each municipality's Food and Beverage Tax receipts for FY 2011 and FY 2012.

Unit	FY 2011 Revenue	FY 2012 Revenue
Avon	\$821,409	\$888,386
Brownsburg	471,717	531,323
Carmel	1,402,288	1,619,649
Lebanon	368,625	344,587
Martinsville	329,702	324,448
Mooresville	349,700	357,661
Nashville	134,836	145,906
Noblesville	1,205,186	1,279,293
Plainfield	824,068	866,577
Shipshewana	99,204	100,680
Westfield	520,319	614,778
Zionsville	191,135	209,386

**State Agencies Affected:** Department of State Revenue; Treasurer of State.

**Local Agencies Affected:** Cities and towns eligible to adopt the tax under this bill.

**Information Sources:** *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2011 and FY 2012;

U.S. Census Bureau, 2010 Census.

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